

Hearing Date: February 15, 2018 at 9:30 a.m. (Atlantic Standard Time)
Objection Deadline: February 1, 2018 at 5:00 p.m. (Eastern Standard Time)

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

PUERTO RICO ELECTRIC POWER AUTHORITY
("PREPA"),

Debtor.

PROMESA

Title III

No. 17 BK 4780-LTS

Court Filing Relates Only to PREPA
and Shall Only be Filed in Case No.
17-BK-4780 (LTS) and Main Case
17-BK-3283 (LTS)

**SUPPLEMENTAL DECLARATION OF DUSTIN MONDELL IN SUPPORT OF
URGENT JOINT MOTION OF THE FINANCIAL OVERSIGHT
AND MANAGEMENT BOARD FOR PUERTO RICO AND THE PUERTO
RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY FOR ENTRY
OF INTERIM AND FINAL ORDERS (A) AUTHORIZING POSTPETITION SECURED
FINANCING, (B) GRANTING PRIMING LIENS AND PROVIDING SUPERPRIORITY
ADMINISTRATIVE EXPENSE CLAIMS, (C) MODIFYING THE AUTOMATIC STAY,
(D) SCHEDULING A FINAL HEARING, AND (E) GRANTING RELATED RELIEF**

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (iv) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747).

Pursuant to 28 U.S.C. § 1746, I, Dustin Mondell, hereby declare as follows under penalty of perjury under the laws of the United States of America:

1. I submit this declaration (the “Supplemental Declaration”) to supplement my declaration, dated January 27, 2018 (the “Declaration”), submitted in support of the *Urgent Joint Motion of the Financial Oversight and Management Board for Puerto Rico and the Puerto Rico Fiscal Agency and Financial Advisory Authority for Entry of Interim and Final Orders (A) Authorizing Postpetition Secured Financing, (B) Granting Priming Liens and Providing Superpriority Administrative Expense Claims, (C) Modifying the Automatic Stay, (D) Scheduling a Final Hearing, and (E) Granting Related Relief* [ECF No. 549] (the “Postpetition Financing Motion”) and annexed thereto as Exhibit D.²

2. Except as otherwise indicated, all facts and opinions set forth in this Supplemental Declaration are based upon: (i) my personal knowledge; (ii) my review of relevant documents provided to me, including documents provided by AAFAF and the Debtor and their respective professionals and employees; and (iii) my views, based upon my experience and knowledge of the Debtor and its financial condition.

UPDATE ON MARKETING PROCESS

3. As described in my Declaration, as part of a marketing effort to obtain alternative financing, professionals from Rothschild have been in contact with ten potential funding providers, which consisted of four existing PREPA, Commonwealth, and COFINA bondholders and bondholder groups, and six third parties capable of providing financing of this magnitude. Rothschild has since also been in contact with an additional potential funding provider that is

² Defined terms used but not defined in this Supplemental Declaration shall have the meanings given to them in the Postpetition Financing Motion or the Declaration.

operating under an existing NDA. Rothschild requested that interested parties submit initial indications of interest by February 2, 2018. In my experience it is not unusual to ask for initial indications of interest in a week to ten-day timeframe.

4. As of this date, five prospective lenders have responded. Two parties informed Rothschild that they would not be submitting financing proposals. One of these two parties cited an interest in potentially participating in a financing in the future, but stressed that a viable transaction would likely require additional collateral, stronger lender protections and higher rates of return than those proposed in the Facility.

5. Three of the five prospective lenders who have responded have provided indications of interest (the “Indications”). Attached as Exhibit A is a side-by-side comparison of the Indications compared to the proposed terms of the Facility. The Indications are each subject to a variety of additional terms and conditions, including resolution of certain litigation, market syndication, negotiation of definitive documentation, and other similar requirements. Two of the Indications require priming liens and superpriority administrative claims and the other is unclear as to the complete security and priority structure. As of this date, none of the Indications is viable to address PREPA’s immediate liquidity demands.

GDB DEPOSITS

6. I understand that certain creditors have asserted that PREPA can increase its short-term liquidity by making immediate or near-term withdrawals from amounts it has on deposit at the Government Development Bank for Puerto Rico (the “GDB”). This is not so. GDB is an insolvent public instrumentality in the process of winding down its operations and resolving creditor claims through the recently enacted GDB Debt Restructuring Act, Act No. 109-2017, and a Title VI process under PROMESA. In light of its fiscal situation, GDB is

currently operating pursuant to various laws and executive orders that limit disbursements by GDB and prohibit deposit withdrawals. GDB's creditors, of which PREPA is one, are collectively owed more than \$7.3 billion. This includes more than \$3.5 billion in deposits almost entirely from public entities such as municipalities, public corporations and other government entities, and more than \$3.7 billion in publicly held debt. As of December 31, 2017, however, GDB's unrestricted cash was less than 5% of the \$7.3 billion in competing claims. Moreover, there are multiple pending lawsuits requesting disbursements of GDB deposits, which GDB is not able to honor. Upon the completion of GDB's restructuring, PREPA and all other creditors of GDB will be able to obtain recoveries on amounts owed to them by GDB, in accordance with the treatment to be given to each pursuant to Act No. 109-2017, but such amounts cannot be disbursed to PREPA or to any other creditor of GDB until the resolution of the multiple competing creditor claims and litigation.

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I declare under penalty of perjury under 28 U.S.C. § 1746 that the foregoing is true and correct.

Executed this 3 day of February, 2018 at New York, NY.



Dustin Mondell

Exhibit A



PREPA financing

Indicative terms overview

Commonwealth		Proposal 1	Proposal 2	Proposal 3
Commitment	<ul style="list-style-type: none"> Up to \$1.3b 	<ul style="list-style-type: none"> Up to \$1.1b Additional \$350m available after 9/30/18 	<ul style="list-style-type: none"> Up to \$1.1b 	<ul style="list-style-type: none"> Up to \$1.3b
Borrower	<ul style="list-style-type: none"> PREPA 	<ul style="list-style-type: none"> Commonwealth government, which may lend to PREPA 	<ul style="list-style-type: none"> PREPA 	<ul style="list-style-type: none"> PREPA
Facility	<ul style="list-style-type: none"> Superpriority post-petition senior secured credit facility 	<ul style="list-style-type: none"> Superpriority loan to Commonwealth 	<ul style="list-style-type: none"> Senior secured superpriority tax-exempt revolving notes 	<ul style="list-style-type: none"> Senior secured superpriority term loan
Use of Proceeds	<ul style="list-style-type: none"> Fund operational uses 	<ul style="list-style-type: none"> Commonwealth may lend to PREPA 	<ul style="list-style-type: none"> Current expenses, fees/expenses 	<ul style="list-style-type: none"> Expenses outlined in 13-week forecast
Interest Rate	<ul style="list-style-type: none"> Interest rate step-ups from 0.00% to 3.00% at 0.50% intervals upon each 6-month interval 	<ul style="list-style-type: none"> 0.0% if compliance with non-financial progress milestones If milestones not met or EoD: <ul style="list-style-type: none"> 5.5% plus 2.0% default interest 	<ul style="list-style-type: none"> 1 month LIBOR plus 8.0% 1% LIBOR floor 1.0% unused line fee 12.0% default interest rate 10 bps – 150 bps rate increase during 30 days upon cash flow reporting default, default rate thereafter until cured 	<ul style="list-style-type: none"> LIBOR plus 7.0% 1% LIBOR floor +2.0% default interest rate, increasing by 1.0% every 6 months
Fees	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> 0.0% if compliance with milestones Certain fees if milestones not met or EoD 	<ul style="list-style-type: none"> 2.0% commitment fee \$250,000 arranger fee \$40,000 p.a. administrative agent fee 	<ul style="list-style-type: none"> 1.0% OID 0.50% arranger fee
Security and Collateral	<ul style="list-style-type: none"> First priority security interest on all revenues collected by PREPA and revolving credit loan proceeds 	<ul style="list-style-type: none"> Post-petition superpriority administrative expense of Commonwealth 	<ul style="list-style-type: none"> Post-petition administrative expense claim status, senior to all other superpriority administrative claims 1L on all revenues and fees collected by PREPA 	<ul style="list-style-type: none"> Post-petition administrative expense claim status Priming lien on PREPA revenue First priority lien on all unencumbered PREPA property, junior lien on encumbered property
Maturity Date	<ul style="list-style-type: none"> The earliest of (i) 30th year since loan funding, (ii) effective date of a confirmed PoA or (iii) event of default Facility will be refinanced by proceeds from CDL or similar federal disaster recovery financing 	<ul style="list-style-type: none"> The earlier of: effective date of Commonwealth POA and 3rd anniversary after DIP Closing Date If CDL becomes available at equal or better terms, facility will be refinanced by CDL 	<ul style="list-style-type: none"> The earlier of: (i) dismissal of the Title III Proceeding and emergence date of PREPA, (ii) Effective Date of a POA, (iii) date of acceleration of the DIP and (iv) 2 years from closing Facility will be refinanced by proceeds from CDL or similar federal disaster recovery financing 	<ul style="list-style-type: none"> 2 years If CDL proceeds become available, facility will be refinanced by those proceeds
Material Conditions to Closing/Initial Funding	<ul style="list-style-type: none"> Entry of Title III Order 	<ul style="list-style-type: none"> Negotiation of loan documents Agreement to case milestones Certain legal stipulations Entry of Title III Order 	<ul style="list-style-type: none"> Agreement on loan documentation Syndication of loan Oversight Board Approval; Entry of Title III Order No material adverse change since June 1, 2017 (other than the impacts of the Title II Case or the impacts of Hurricane Irma and Maria) Payment of fees and costs 	<ul style="list-style-type: none"> Resolution of litigation surrounding constitutionality of PROMESA / appointment of FOMB Clarity over enforcement rights, future PREPA business plan, timing of privatization Completion of diligence / loan syndication Agreement on loan documentation / milestones Entry of Title III Order